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**CALIFORNIA STUDENT AID COMMISSION  
GRANT ADVISORY COMMITTEE MEETING**

10811 International Drive  
Rancho Cordova, CA 95670

**MINUTES  
JULY 19, 2007**

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<b>ADVISORY COMMITTEE MEMBERS</b>	<b>COMMISSION STAFF</b>
Mary Lindsey, Chair, PI	Diana Fuentes-Michel, Executive Director, CSAC
Louise McClain, Commissioner	Keith Yamanaka, Chief Deputy Director, CSAC
Tim Bonnel, CCCCCO	Steve Caldwell, Chief, Governmental & Public Affairs Division
Mary Robinson, CSU	Catalina Mistler, Chief, Program Administration & Services Division
Marco de la Garza, CCC	John Bays, Chief, Information Technology Division
Noelia Gonzalez, CASFAA	Janet McDuffie, Chief, Management Services Division
Susan Gutierrez, CSU	Tom Mays, Manager II, Public Affairs Branch
Lynn Fox, AICCU	Charles Wood, Manager, Program Compliance Branch
Laura Cunha, PI	Bryan Dickason, Manager, Cal Grant Operations Branch
Sharon Bowles, HS Counselor	Lori Nezhura, Staff, School Support Services Branch
Lora Jo Bossio, UC	Drew Schrepel, Staff, School Support Services Branch
Sally Pace, HS Counselor	Tae Kang, Staff, Cal Grant Operations Branch
Kate Jeffery, UC	Irene R. Klauer, Staff, School Support Services Branch
	Jorge Cortez, Staff, School Support Services Branch
	Bob Illa, Manager, Fiscal & Administrative Services Branch
	<b>ALSO PRESENT</b>
	Dan Friedlander, CSAC Commissioner
	Lorena Hernandez, CSAC Commissioner

**Tab 1: Institutional Participation Agreement (IPA) Work Group**

Kate Jeffery, Chair, IPA Work Group, complimented staff on the completeness and helpfulness of staff write-ups on the subject matter. Although Chair of the work group, she will be referred to as Member Jeffery.

Member Jeffery commented that she felt there were number of ideas that were compromised approaches that were to be pursued, but that what was noted in the agenda materials was

somewhat different. Chair Jeffery asked that staff walk through each idea so that Grant Advisory Committee (GAC) Work Group members would understand them.

Member Jeffery asked work group members if:

1. Work group can support staff proposals as written
2. Work group can support staff proposals with modifications
3. Work group feels the need to make separate recommendations

That being said, review of the separate issues began with the following subject areas:

### **1) Separate Interest-bearing Accounts:**

Catalina Mistler, Chief, Program Administration & Services Division, explained that staff recommends Option 2, which requires that separate accounts be held in trust for Cal Grant funds. This option will allow public institutions to hold funds in a separate or commingled account with the ability to separate Cal Grant funds from other sources if choosing the commingle option; private institutions would be required to have separate accounts with no commingling. The institution would require a presence in the state of California.

Member Jeffery and other members asked for clarification on the following:

- a. Use of the explicit statement that institutions are holding funds in trust for the state; she explained this was new language (Jeffery).
  - a. No response.
- b. How the group had discussed not being limited to an interest-bearing account, but could be an investment account. She wanted to know why this was not mentioned (Jeffery).
  - a. Tae Kang, staff, Cal Grant Operations Branch, said it was an oversight.
- c. Does the requirement apply to both private and public institutions (Jeffery)?
  - a. Mr. Kang said yes, the requirement applies to both.
- d. Explain a segregated account in institutions that can commingle funds (Mary Robinson, California State University (CSU), representative).
  - a. Mr. Kang explained that what is meant by the term "segregate" is for institutions to clarify that a particular account, as part of a commingle account, is Cal Grant funding. The subsidiary ledger has to be identified as a Cal Grant account.
- e. What constitutes interest on Cal Grant funds? Need clear understanding (Robinson).
  - a. Mr. Kang explained that Grant Operations Memo (GOM) 2007-21 discussed that netting of banking charges would not be acceptable; it would just be the interest incurred that would have to return back to the California Student Aid Commission (Commission/CSAC).
  - b. Member Robinson commented that the money discussed has been appropriated to the institution and it's the interest on it that is of concern. She believed the institution should be able to net out the costs. Keith Yamanaka, Deputy Director, CSAC, explained that:
    - i. When the state allows the holding of funds without the authority to spend it yet, the obligation of the state entity is to ensure funds are used

appropriately and that the funds earn interest. The interest is earned on state money, so the interest belongs to the state.

- ii. Asking CSAC for use of state money to offset expenditures incurred by the institution is not acceptable because CSAC does not have the authority to appropriate money, but instead, the legislature.
- iii. Interest that is earned on General Fund money goes back to the General Fund. Statute dictates how interest is used and where it is housed. Special Funds can justify handling of funds depending on the function (e.g., Department of Corporations)
- iv. In response to Chair Jeffery's comment about finding a way to make a statutory change, Mr. Yamanaka explained that CSAC had language that authorized the offset of cost for an interest-bearing account. This would provide CSAC with the expressed authority to be able to net out the interest or pay the schools.
- v. Member Robinson expressed surprise that a minimum rate of return on the interest earned was not required. Mr. Yamanaka explained that no requirement exists today. Mary Lindsey, Chair/Member, GAC, commented that she hoped it wouldn't come to a point where CSAC is telling institutions the required rate of return because it's the administrative limitations of the agency that require them to invest the money for interest; institutions are not in the business of investments.

Given the discussion, Mary Lindsey, GAC Chair, suggested that the current recommendation include the Commission seeking statutory change. Member Robinson concurred. Mr. Yamanaka commented that CSAC could try to get legislation aboard; that the University of California (UC) or California State University (CSU) could do the same in an effort to offset expenditures. Chair Lindsey requested that seeking statutory change be a collaborative effort between different stakeholders and have it go through CSAC and that the recommendation specifically state that the effort to change legislation not be delegated to the stakeholders; that the process be initiated and administered through CSAC. Member Robinson explained that she was referencing netting out the costs as it pertains to establishing a separate interest-bearing account.

Chair Lindsey reintroduced the issue of "negative interest," noting there is enough of an issue here that maybe, if the Commission does not initiate legislative change, the stakeholders could address the issue separately. She wants to give Commissioners the opportunity to see the breadth of the issue and possibly take action.

Member Robinson clarified that CSU is not saying it's going to adversely impact students if the budget doesn't pass, but she wanted to note that it's frustrating being placed in an absolutely untenable position of being the ones (institutions) to bear the brunt of some of the costs and workloads, knowing that there is no alternative because if they choose the viable ones, the students will suffer. Catalina Mistler, Chief, Program Administration & Services Division, asked Member Robinson how her institutions would suffer.

Susan Gutierrez, California State University (CSU) representative, explained that her campus has to advance the funds to the student account because they know all the needed funds from CSAC are not present when the semester starts. Member Robinson commented that if enough

money isn't available in a student's account and their fees aren't covered, they could be disenrolled; lose their classes.

Member Jeffery clarified that Ms. Mistler's question had to do with the impact of netting out the interest. Member Gutierrez explained that not being able to do so would affect her school's delivery; it would affect the willingness of the institutions to allow an interest-free loan. She explained that what the institutions want is to allow an interest-bearing loan which would then be offset later on when the institution has positive balances that are earning interest; it all would net out when there is a negative balance.

Mr. Yamanaka wanted members to know that staff understands the institution's position; the concern by institutions that they are required to use their funds to cover what would be a state obligation. But he added that the reason CSAC takes the position on the issue of negative-interest is because it does not have the legal authority to authorize spending of that source. Because of this, Chair Lindsey commented that there needs to be a statutory change, but asked who would seek the change. She explained that there is cost in delivery of the Cal Grant funds and the cost gets passed to the students.

Member Jeffery summarized the following thus far:

1. According to staff, netting of cost of investing funds out requires statutory change.
2. Staff notes that netting the negative balances out requires statutory change.
3. GAC recommends that CSAC initiate a statutory change for netting of costs of investing funds.
4. A formula for implementing negative balances is to be included (in recommendation?).

Member Jeffery asked if the group wanted to endorse the current staff recommendation; reiterate GAC's earlier recommendation; or use another approach to address GAC concerns with the recommendation. Chair Jeffery noted that there appears to be staff work on the issue (recommendation) and work completed by staff counsel and the first doesn't reference the second. She asked that GAC reiterate their formal proposal with new information; that she did not support staff's position because she didn't see compelling state interest in doing this.

Member Jeffery asked the group (GAC) to go with the original recommendation to have the interest-bearing requirement be administered across the board for all segments; that high risk institutions be identified and required to put the money in a separate interest-bearing account. This approach, she added, doesn't preclude an institution from keeping their funds in an interest-bearing account, but it doesn't require it for certain segments.

Another option that has come up, but not seriously considered, noted Member Robinson, is that CSAC provide an alternate disbursement system so institutions could opt out of the disbursement responsibility. Students, she added, could receive their funds directly from CSAC once their eligibility was verified.

Member Jeffery commented that CSAC does not appear to have the ability to offer the option and pay directly to students. Member Robinson suggested CSAC complete a budget change proposal (BCP) to get the needed resources. The issue, noted Member Jeffery, has more to do with how the at-risk institutions are selected. In the absence of being able to identify at-risk institutions, CSAC will pick a particular segment because there is less risk with the public segment due to the connection to the state's general fund.

Mr. Yamanaka reiterated that there is a fundamental legal requirement for the staff recommendation to the Commission. CSAC's ability to advance funds requires that they take specific steps, regardless of risk, to ensure the state's ownership interest in the money is protected and used appropriately. Mr. Yamanaka noted that CSAC will still work toward identifying high-risk schools, but it will still be recommending that state property (funds) be kept separate from other sources.

Chair Lindsey commented that funds used to be segregated; that CSAC cut co-payable checks to the school and the check would be released to the student once the student did all that needed to be done. It was the agency (CSAC), she explained, that determined that funds would be advanced to the schools; she didn't believe the schools asked for this form of delivery system. Further, she didn't believe that presidents or fiscal officers see themselves as trustees for state money since it was not implied. Mr. Yamanaka explained that the advance process is what creates the trustee condition.

Member Jeffery acknowledged that segregation of funds is the state's way to protect its funds, but the protection inferred is not an absolute and is somewhat open to interpretation. She suggested that what GAC is trying to do is point out to the Commission that there may be more effective ways to protect state funds than implementing the state law and commingling constraints. Member Jeffery commented that she wasn't sure what she would be arguing for in the recommendation.

Chair Lindsey said that she wanted to see GAC go on record saying that they believe the problem (not managing state funds correctly) is 1% of the total institution population, and yet a major change (100%) is being made to the program and how funds are managed. She wanted the recommendation to state that GAC sees resolution to the concern in another way.

Chair Lindsey commented that use of current technology (advance to schools) to deliver money to students is a decentralized process and that unlike before, institutions are being required to have funds in separate and interest-bearing accounts. This, she noted is a decentralized responsibility put on the institutions by the agency (CSAC) and this was not the case before.

Mr. Yamanaka explained that the responsibility of institutions for managing state funds has been in place, but the problem with how funds were managed had not been identified since the advances were authorized. In response to why the issue with managing state funds had not been identified before, Mr. Yamanaka explained that how the laws are made doesn't always account for every operational issue.

Member Jeffery offered another way to look at the recommendation: that GAC recognizes that advances are owned by the state and held in trust for the state and that this is a way for the state to safeguard funds, but does that mean that they have to be held in a separate account. This, she explained, is the gray area. She argued that GAC can move forward saying they agree with first piece of the recommendation, but disagreed with the part that requires that funds be held in interest-bearing and separate accounts, noting that this may not be the most effective way to achieve the state's goals. Chair Lindsey agreed; leave the housing of the funds institutional optional unless it has been verified that the institution is high-risk (a criteria set by CSAC in collaboration with GAC).

Lora Jo Bossio, University of California (UC) representative, asked about the "opt out" option previously discussed, that would allow institutions to tell CSAC to administer the checks directly to the student with the institution of the co-payee. Marco de la Garza, California Community Colleges (CC) representative, noted that his campus would not use this option. Member Jeffery

asked if campuses needed to be consulted before going forward to the Commission with the recommendation. Chair Lindsey commented that the opt out issue is separate from the separate account issue being discussed.

Chair Lindsey sought to compromise, noting that instead of going out to the community to determine where they stand with opting out, that the Commissioners be consulted first to see if they are open to exploring the issue. Lynn Fox, Association of Independent California Colleges and Universities (AICCU) representative, commented that the current delivery system was put in place to repair one that wasn't working well in delivering funds. Member Fox recommended that GAC move forward and focus on technology that moves the process forward (just-in-time processing). He cautioned about "recreating" an old process rather than advancing.

Chair Lindsey asked Member Fox, as an independent representative, where he stood on the different issues tied to the recommendation requirements. He explained that while there is frustration in a requirement that is applied to one segment after the fact (differential treatment) he reminds himself that his focus is his students on his campus. He works through the frustration and does not see this requirement as precedent setting.

Chair Lindsey asked if it was fair to say that if non-public segments understood that there was a huge problem with the delivery of money to students; that it was necessary to treat segments differently, that non-publics would be supportive. Member Fox commented that the description was a fair statement.

Member Jeffery brought the group back and asked what the recommendation for this issue would be. When asked by Steve Caldwell, Chief, Governmental & Public Affairs Division, what the strategy for GAC is on this issue, Member Jeffery explained the following:

**Recommendation (from Work Group):**

1. Endorsing the new language that clarifies for institutions that advances are held in trust for the state.
2. That staff look at the effectiveness of the restriction of commingling funds. The Work Group does not think that this prohibition is the best way to further the broader interest of safeguarding state funds.

**2) California Residency:**

Ms. Mistler explained that staff recommends the following:

1. The IPA recognize the residency determination dates at the public institutions established by their respective governing boards.
2. Staff recommends that the residence determination date for private institutions be the first day of instruction of the term in which the student is enrolled as a Cal Grant recipient.
3. Staff recommends the adoption of the proposed language requiring residency determinations for Cal Grant purposes, that they be identical to the rules already by the governing bodies of the public institutions for the purposes of student residency classification.

Member Jeffery asked how the issue of the “portability of a Cal Grant” would be addressed administratively. Lori Nezhura, Staff, School Support Services Branch, explained that it would be whatever residency determination date was set in regulation by the governing boards at the public institutions, otherwise the first date of the beginning of the term for which the student is enrolled as a Cal Grant recipient. In the case of a student eligible at one school; transfers to another school and does not have residency at that school, that student would be able to keep the Cal Grant because residency has already been established.

Members discussed different scenarios encountered by students when discussing residency. Member Jeffery explained that, in the case of the UC’s, different campuses use their board residency determination (more stringent) and others use the definition used by CSAC (more liberal). In cases where there were differences, she added, campuses defaulted to CSAC’s definition.

Other issues that surfaced regarding the residency issue:

1. Use of one method for residency determination increased workload for the institutions with some having to do double determinations.
2. Use of only one definition means some students would be paying out-of-state tuition and receiving a Cal Grant that didn’t cover the fees.
3. Institutions did not receive a policy memo from CSAC stating the residency determination definition had changed. According to Member Lindsey, there was CSAC’s definition and the CCs just happened to be the same. She expressed concern about different or new definitions disenfranchising students.
4. When determining residency, Cal Grant law refers to Part 41, section 68000 of the Education Code. This code authorizes the institutions governing boards to define residency.
5. The law is silent about establishing residency determination for independent institutions for Cal Grant purposes. It falls to CSAC to do so and CSAC defers to the segment’s governing boards.
6. The law allows for three different bodies; three different institutions to apply the same law that is stated in Part 41 of the Education Code. As noted by Member Jeffery, you have three institutions using the same law, but possibly interpreting them differently.
7. Chair Lindsey discussed possibly having to recommend that statute be changed to allow CSAC to determine its residency.
8. Ms. Nezhura noted that residency is secured from the Free Application for Federal Student Aid (FAFSA) and the FAFSA does not define residency. This is another troublesome area because there are students who will note they are California residents, because they just moved here, but it’s only been a week.
9. Member Robinson expressed concern that as soon a student recognizes the discrepancy in residency definition between public schools, there will be contact with a member of the legislature and uproar will ensue.

10. In terms of workload concerns, Tim Bonnel, California Community Colleges Chancellor's Office (CCCCO), commented that trying to do a separate residency standard for every Cal Grant award (not recipient) can result in students appearing in multiple rosters and getting verified at several locations. Member Bonnel noted that he has huge issues with proposing that the Education Code be changed unless the process and impact has been thought through.
11. Member Jeffery explained that the work group on residency discussed using the CC standard so there would be no additional workload for this segment. The suggested process was that CSAC would look at the initial information on the FAFSA; compare it to the institutional definition. If the information matched, it would be assumed that the student was a resident (presumptive assumption). If it didn't match, a review would be conducted using the CSAC standard. This level of workload was acceptable to the campuses. Member Jeffery has reservations proposing a change to statute unless the impact is known upfront.
12. Chair Lindsey asked if use of the CC definition of residency would require change, on the part of the definition, if at some point the CCs decided to change the definition. She recommended that if this is going to be done, that CSAC go with the least restrictive definition.
13. Chair Lindsey asked if statutory change could be sought to make CSAC the governing board, thereby setting the definition for Cal Grant purposes, and then CSAC could do what it chose to do. Mr. Yamanaka explained that all the residency issues raised would then come to CSAC and he didn't know how the Commissioners would view that approach. He commented that the issue is not necessarily the specifics of the Cal Grant, but instead the issue of residency and how it fits into the big picture discussion.
14. Member Gutierrez commented that a uniform definition would allow the student to have a choice in deciding which educational institution they can afford to attend. For her campus, residency determination is basically done if a student is on the Cal Grant roster. If there is discrepancy, she does follow-up work. Member Gutierrez does not see a downside to the staff recommendation.
15. Member Bonnel, commented again, that when resources are diverted from serving students on campus to do administrative tasks, other students become ineligible because someone is not there to help them fill out an application; do the outreach. He cautioned the membership about adding administrative burdens to financial aid offices.
16. Member de la Garza explained that residency on his campus is determined by the Registrar's Office and as far as the financial office is concerned, they are done. Charles Wood, Manager, Program Compliance Branch, explained that if the school (financial aid office) has conflicting information, CSAC would expect follow-up. Member de la Garza reiterated his position that the question becomes, what constitutes "conflicting information."
17. Member Fox noted that, unlike that for the publics, the initial residency determining point for the privates is the Cal Grant Roster; there will still be a date in the system that makes the determination of residency. He cannot imagine privates using any other date than that adopted into the system roster.



18. Discussing the residency information provided by the student on the FAFSA, Member Fox asked what date was being checked. John Bays, Chief, Information Technology Division, stated that there is a date in the system that is used to determine if the student is a minor or not; if so, the parents' residency is used. Member Fox concluded that there is no longer any editing on the question for residency, but explained that he still needed a system date to initialize the establishment of residency on his campus.
19. Chair Lindsey explained that having a set date (September 20<sup>th</sup>) by CSAC is a better way for privates to determine residency than for each institution to have different dates; having different dates would require checking every student. Having a set date in the system allows students to show up on the roster. Member Fox explained that he sets his residency criteria to match the initial roster.
20. Member Jeffery asked if it was permissible for privates to use the internal date set by CSAC (September 20<sup>th</sup>). Ms. Nezhura explained that the institution's governing board is to set the date; CSAC went with the same methodology which, for the majority of institutions, is the first day of instruction.
21. Member Jeffery asked, from a workgroup perspective, if there was support for change in the proposal to include giving the private institutions the option to set their own residency date or use the one set by CSAC. The group agreed.
22. Chair Lindsey asked about making a specific recommendation, along with the original 3, to make the Cal Grant portable so if the student changes institution, the grant goes with them and residency does not have to be reestablished. Member Bonnel asked that the recommendation be stated differently; he offered: In the interest of maintaining portability to the awards, GAC recommends that once a student has been paid a Cal Grant, should they choose to move to another school, no additional Cal Grant residency determination is required for Cal Grant purposes.
23. Various members began discussing the following scenario: 1) CC student with Cal Grant on hold, 2) parent moves out of state, 3) student transfers to UC expecting to use Cal Grant at 4-year, 4) student is no longer eligible for Cal Grant because student's residency is based on parent, 5) student has to pay out-of-state fees. Member Gutierrez explains this is not a new situation and would get an exception (AB540) for out-of-state.

### **Recommendation (from Work Group):**

The specific work group recommendation(s) regarding the residency issue was unclear in the transcripts; however, the following was deduced:

1. Work group members are supportive of the staff proposal as written with additional flexibility for the privates. Privates can set their own residency dates or use the one set by CSAC.
2. Work group members do not want to pursue a statutory initiative, or central definition, for the Cal Grant Program.
3. Work group members recommend that once a student has been paid a Cal Grant, should they choose to move to another school, no additional Cal Grant residency determination is required for Cal Grant purposes.

### **3) High School Graduation Confirmation-**

Bryan Dickason, Cal Grant Operations Branch, noted that during discussions, the work group supported centralizing the confirmation of high school graduation by CSAC. Highlights of the discussion included:

1. High schools, if able, are to contribute to the confirmation process.
2. CSAC to create a process/system that could accommodate different means of submitting confirmation information.
3. Colleges, like high schools, to participate in confirmation of high school graduation and to use multiple process approach to report information to CSAC.
4. Students to self-certify, under penalty of perjury and on-line (Web Grants for Students), confirmation of their high school graduation.
5. CSAC to be able to take hard copy confirmation of a student's graduation (e.g., diploma, transcripts, etc.) and update student record in CSAC.
6. Cal Grant recipient record to be put on "hold status" until graduation confirmation.
7. Cal Grant roster used as central repository for confirmation information. Schools to access this information for their use.
8. CSAC to make subsequent efforts to contact a student if confirmation information has not been secured from student or school.

#### **Discussion:**

Chair Lindsey commented that the confirmation requirement not only dealt with entitlement students. Mr. Dickason explained that entitlement students and students that are one year out are included; noting that CSAC is not in a position to leave any potential recent graduate out.

Chair Lindsey asked if there had been discussion about adding high school confirmation at the time the GPA Verification Form is completed. Mr. Dickason explained that some students would still be in school; Chair Lindsey said not the one-year out students. Mr. Dickason said adding the confirmation piece to the GPA Verification Form would be considered.

Member Bonnel asked if there would be a hierarchy of certification where, for example, a student verifies they graduated, but a school official goes online and says otherwise. He encouraged staff to consider this piece along with the understanding that graduates come in any age since adult education facilities issue diplomas.

Mr. de la Garza asked if confirmation was needed for the September 2<sup>nd</sup> applicants for this year. Mr. Dickason said no. Member Bonnel encouraged staff to think the collection of data through and asked what data was being collected. Mr. Dickason commented that the work group envisioned a system that would collect confirmation information only; yes information. He explained that there may be many cases where a student is not confirmed as having graduated, but has (conflicting information), and whoever makes the discovery or confirmation would be communicating that information to CSAC.

Member Bonnel recommended that staff not limit themselves in collecting yes-only information; staff has a chance to collect data on the one-year delay student population. Mr. Dickason explained that the students being confirmed with this process are students that have met the financial and academic requirements for the entitlement award. Staff would not be collecting data for students who have not been determined eligible.

Member Jeffery asked if CSAC was interested in having schools submit files of all their high school graduates. Schools, she added, might find this easier to do. Sally Pace, High School Counselor representative, said it would be easier for schools if they did it like they do the GPAs. Mr. Dickason explained that logistically there may be difficulty with SSNs. He noted that the work group wants schools to work in the Web Grants environment making the notation of the student's graduation status. Member Jeffery commented that if there was a way to coordinate the two processes and work towards full reporting from the high schools on most students, it would also address the one-year out students.

Member Robinson recommended that staff keep data regarding how confirmation was secured; who provided the information because this information may be beneficial for determining effectiveness in collecting information. She also agreed with Member Bonnel about establishing a hierarchy for information validity and setting some controls on how that data is provided; maybe, she added, a student's confirmation can only be overridden by a "higher authority" once the hierarchy has been established.

Members expressed concern of only being able to provide a yes confirmation. Member Bonnel commented that a school should be able to go in and override a student's confirmation if the school discovers otherwise; they should be able to "reset the flag." Member de la Garza commented that the mailings need to be reviewed by GAC and the work group so that the membership knows what is going to be said to the students and that can be shared with the segments. Laura Cunha, California Association of Private Postsecondary Schools representative, recommended that school administrators be able to mark a yes or no confirmation for the student and once there, the student cannot change it.

The issue with confirming high school graduation is that a high school cannot confirm that a student "has not" graduated because a student can graduate from another school or get their GED or use some other way. Member Bonnel noted that a student has until December 31<sup>st</sup> to graduate. Mr. Dickason explained that the reason students would be allowed to self-certify is so that there would be less burden on the schools. In matters of conflicting information, staff could resolve those cases. Member Bossio cautioned about assuming that the information provided by the students is not correct when data from the FAFSA (a study compiled after the first year of the California High School Exit Exam (CAHSEE) proves that this is not happening.

Chair Lindsey recommended that the student be allowed to update confirmation; save the date and the source; and that a school be able to go in and change the data. Once the student attempted to go in and make another change, the system would direct the student to contact an official (FAO/CSAC).

Member Jeffery asked if the confirmation information is in the Institutional Participation Agreement (IPA) for 2008/09. Mr. Dickason said yes, but not a major component; CSAC to be the central repository and done by batch. Member Lindsey asked if the one-year out students could be helped by having the GPA Verification Form confirm they're graduation. Mr. Dickason said yes; he added that request to the list of business rules.

Chair Lindsey asked if the student self-certification overrides what the student reported on the FAFSA or does it create conflicting information. Member noted that GAC has requested direction from staff and CSAC has remained mute. Chair Lindsey noted that the write-up in the agenda may have been misunderstood because it didn't answer the specific question of what constitutes conflicting information for the 2007/08 academic year.

Member Bonnel asked for guidance from staff regarding a determination that a pre-certification statement of graduation is not conflicting with a post-certification statement of graduation. Member Bonnel asked if institutions needed to get secondary confirmation in cases where there are two separate statements given at different times. Member Lindsey explained that the answer provided in page nine of the proposal did not answer the question as asked by Member Bonnel. Member de la Garza added that you may have students for who the school has a grant, but the student has not certified they are a graduate. Member de la Garza saw this as a potentially big problem due to the follow-up needed.

Member Lindsey commented that the Attorney General (AG) wants proscriptive information; verification in form of "post-graduation" certification trumps pre-certification. Member Bonnel commented that "conflicting information" warrants a secondary confirmation and while the group needing this level of review may be small, it is still part of the problem. He cited the case where a student, based on transcripts, is not a graduate, but then the student comes in and says he is because he has until December of that year to graduate. It's this kind of situation, he added, that requires rectifying the conflicting information according to the federal government requirements.

Member Bonnel reiterated that he wants to clarify that for 2007/08, a post-certification verification statement, after a student's graduation, does not conflict with a statement signed prior to graduation. Member Jeffery asked if Member Bonnel asked for this because he wanted to avoid, in those situations, having to get high school transcripts. Member Bonnel said yes. He added that what he wants to do is determine what schools need to do in cases like these and have that in writing; the school may not like it, but they will comply.

Ms. Mistler asked if the definition for conflicting information was answered in the forms (G-8) provided. Ms. Nezhura said that question number 3 of the Frequently Asked Questions (part of the agenda) somewhat answered the question; it wasn't exact, but it addressed the issue. Member Bonnel noted that CSAC's definition would also have to be acceptable to the federal government, since they too, have their requirements. Mr. Wood asked why the federal government would not accept CSAC's definition. Member Bonnel answered that they'd be concerned because of the conflict the subsequent information would create with the FAFSA; the federal government would expect that it be corrected.

Member Jeffery explained that CSAC documentation explained that the post-certification (High School Graduation Certification Form—G8) takes precedence over earlier pre-graduation certification and that high school transcripts take precedence over the latter (Tab 7.c of the agenda). Member Jeffery asked if CSAC's response addressed his concern; Member Bonnel said that it did for Cal Grant purposes.

Member Pace asked if students, in addition to graduating and passing California High School Exit Exam (CAHSEE), had to pass the General Education Development (GED). Mr. Dickason said no. Member Pace asked about a GPA where only the sophomore year was completed. Mr. Dickason noted that currently regulation states what grades are acceptable, but that there is no minimum number of units to be earned.

Ms. Mistler read education code 69432.7. Member Robinson asked about Title 5 of the regulations. This issue would be addressed outside the meeting.

Member Jeffery commented that the official GAC meeting was to begin.

**Tab 2: Approval of Minutes (October 14, 2005; February 21, 2006; April 14, 2006; May 25, 2006)**

No approval of minutes. Moved to next meeting.

**Tab 3: Committee Chair's Report**

Comments provided by Chair throughout meeting. Did not see a specific discussion regarding the Chair's Report.

**Tab 4: Executive Director's Report**

See brief comments made in Tab 9.

**Tab 5: IPA Work Group Report/Recommendations**

Chair Lindsey started the official meeting noting that the IPA being presented was different than what was expected. The difference in IPA impacted the duration of the workgroup; originally, the workgroup was planned for only two hours.

Member Jeffery, Chair for the Work Group, offered the following recommendations:

1. CSAC to seek statutory change that will allow institutions to deduct the cost of establishing and maintaining interest-bearing or investment accounts for Cal Grant funds.
2. CSAC to seek statutory change that will allow institutions to calculate the interest earned from Cal Grant funds in their accounts and to be returned to the state based on a formula that includes negative as well as positive balances in the account.
3. On the matter of commingling funds, GAC endorses the inclusion of language that indicates that advances made to the institutions are owned by the state. GAC, however, still has concerns about the interpretation of the prohibition of commingling funds in the independent segment. These concerns include:
  - a. The disparate or inconsistent treatment between the public and private institutions.
  - b. Acknowledgement that the separate accounts are not necessarily the most effective way to protect state funds from being used inappropriately or being lost in bankruptcy. A more effective way to protect state funds would be to develop a way of identifying high-risk institutions.

**Motion:** Member Jeffery moved that the above recommendations be accepted as a GAC motion. Member Robinson seconded.

**Motion passed.**

Member Jeffery discussed the need to have staff gather information on making statutory change to allow commingling by institutions. Ms. Mistler explained that based on the above recommendation, staff has enough information to start a review. Member Jeffery reminded members and staff that information on the number of institutions with separate accounts would be helpful. Also, staff agreed to include the word investment along with interest.

On the matter of residency, Member Jeffery explained that the work group recommended GAC do the following:

1. Endorse staff proposal on California residency with the modification that provides independent institutions the flexibility to choose the date they use for making the residency determinations.
2. Independent institutions have the flexibility of using the date Commission staff uses for making their initial residency determination.
3. Independent institutions have the flexibility of using the date that coincides with the first date of instruction at the particular institution.

Ms. Nezhura clarified that “residency” consists of the student being in the state one year from the initial determination case. In the case of Member Bossio, if the determination date is first day of class, then it would be one year from that date.

**Motion:** Member Gutierrez moved that the above recommendations be accepted as a GAC motion. Member Bonnel seconded the motion. Member Fox and Chair Lindsey opposed.

**Motion passed.**

Member Jeffery explained that the next recommendation dealt with transferring students. The work group recommended that GAC recommend that students who transfer or move from one institution to another, after they have been paid a Cal Grant at their initial institution, will not have to have their residency re-determined (for Cal Grant purposes). Chair Lindsey added that this would allow for grants to maintain their portability; Member Robinson commented that the portability of the grants would not disrupt the student’s educational plans.

Ms. Nezhura, in an effort to capture the essence of the recommendation made by Member Bonnel, explained the following:

GAC recommends that in the interest of maintaining portability, once a student has been determined a resident and received a Cal Grant payment at one institution, should the student move to another school, no other residency determination for Grant purposes shall be required.

**Motion:** Member Bonnel moved that the above recommendation be accepted as a GAC motion. Member de la Garza seconded the motion.

**Motion passed.**

**Motion:** Member Jeffery moved that GAC recommend that CSAC implement for 2008/09 the proposal s described here, which would establish the central repository for collecting post-graduation high school graduation confirmation. Member de la Garza seconded.

**Motion passed.**

Member Jeffery asked if anyone was interested in recommending that once the student has populated the central repository once, they were locked out and that they would have to speak with someone to repopulate the repository. Chair Lindsey explained that this concern would be a detail that would not be in the IPA, but would be a recommendation. Member Bonnel commented that hopefully staff would work with rules to come up with business rules that work for all entities involved.

## **Tab 6: GAC Work Group Reports/Action**

### **Non-standard Term:**

Member Cunha explained the following regarding non-term schools:

1. Many non-term schools are also proprietary.
2. Most non-term schools have rolling starts and go year-round.
3. Non-term schools need to count the number of days a student will attend school and then see how that fits with the traditional Cal Grant quarter.
4. If the student is attending at least 50% of the time, then the non-term school can pay for the Cal Grant quarter.

Member Cunha explained that it was recommended by Member Bonnel that that non-term schools could pay Cal Grant on some disbursement schedule the same way these schools pay Title 4. Member Cunha explained that non-term schools could pay Cal Grant in two disbursements per academic year with the second disbursement released when the student has met midpoint like it's done with Title 4 funds.

Mr. Dickason explained that schools would have to have two separate rosters to pay in two distinct ways. Member Cunha explained that the next step, in an effort to address this issue, would be that CSAC would with GAC work group and create an issue paper. Member Cunha explained that this information will be shared with stakeholders for input. Once the information is collected, staff can have another meeting and discuss the findings. In response to Chair Lindsey's question, Member Cunha explained that the main issue at a non-term school is trying to fit the school's payment schedule to the traditional quarter schedule.

### **Selection Criteria:**

Member Robinson explained that the current review of the selection criteria would be the first since incorporating the Access Equalizer in 2002/03. The following goals for review of the selection criteria are sought:

Determine the impact of the scoring criteria on the competitive awards.  
Look the impact of the scoring criteria on the 2% program where students receive tuition and fees.

Member Robinson explained that the work group is set to meet on August 16, 2007 around 9:30 a.m. The duration will most likely be for at least half day; the necessary data will be compiled by then. The expectation is that the data will be condensed to manageable tables. Member Jeffery asked if the change in the age for the Cal Grant entitlement program have an impact on the competitive program and the selection criteria. Member Robinson said she'd hope it would, but that the change in age would take several years for it to have any real significant impact.

## **Tab 7: Cal Grant/Outreach Update**

### **Cal Grant Update:**

Mr. Dickason began the discussion, providing the following data (awards offered/not necessarily accepted):

- 63,600 Cal Grant Entitlement Awards (each with a High School Confirmation Form)
- 11,250 Cal Grant Competitive Awards (actual take rate is at 12,700 right now)
- 3,800 Transfer Entitlement Awards
- Cal Grant C Awards have not been made (expect to do in a few days)
- 179,000 Renewal Awards

Chair Lindsey commented that supplements and awards went out in April and May respectively. She wanted to know the basis for the current state of awards. Mr. Bays explained that delays were due to changes that needed to be incorporated to the scoring criteria for the competitive awards (need analysis methodology for independent students without dependents other than a spouse). This incorporation delayed issuing the competitive awards and the supplemental forms for the Cal Grant C. Mr. Dickason commented that staff expected to be back on track for next year.

Mr. Dickason explained that schools will be able to change student Cal Grant programs, assuming the student is eligible for both, using a batch process. CSAC expects that the UC system will be the segment using this capability most since the student may benefit most from one program than the other in the long run.

Mr. Dickason introduced Yvette Johnson, Manager, School Support Services Branch; Mr. Bays introduced Ms. Jackson, IT Applications; Ms. Mistler introduced Gloria Falcon, Manager, Program Policy & Development and Joe Lopez, Manager, Business Systems Integration and Thea Pot-Van Atta, Manager, Student Support Services Branch.

Commissioner McClain asked if the California Association of Student Financial Aid Administrators (CASFAA) workshops had been scheduled. Mr. Dickason said they had. Commissioner McClain recommended that a copy of the self-certification form be included in the materials with clear instructions on how to complete it. Member Bonnel asked for the data that comes from the number of awards offered and those accepted. He explained that having GAC look at the data and being able to share findings with member segments would be helpful in figuring out the challenges faced by the segments. He also asked for an update on “utilization statistics” on Web Grants for Students. He noted that some number of his schools expressed concern about the long wait to access the site. Mr. Bays explained that currently there are 65,000 accounts.

### **Outreach Update:**

Tom Mays, Manager, Public Affairs Branch, offered the following update:

**Public Awareness Campaign-** Due to pending sale of Ed Fund and the “synergies” between CSAC and Ed Fund, it appears that staff is back at square one (somewhat late) with regards to getting the campaign started. CSAC and Ed Fund depend on each other to do outreach activities and in particular, CSAC depends on funding support from Ed Fund to get activities completed. Mr. Mays expects to secure funding in the next 2 weeks.



**College Cash Box-** Approximately 4,500 issued statewide to high schools and colleges. Staff is on target with continuing the messaging of last year.

**Cash for College-** Funds for this program are also tied up with the funding decision for CSAC, but staff is hopeful and is working with its regional counterparts to offer, again, the 400 statewide scholarship awards and too, put on fall and winter workshops.

**Cal-SOAP-** Staff is working closely with Project Directors to address potential fiscal impact to the projects.

Mr. Caldwell explained that some of the bills, currently in place to expand Cal Grant programming, are dead. AB 1540, however, is still alive and staff is working at putting the Cash for College in statute. Mr. Caldwell commented that it appears that progress is being made in signing of budget; he read an excerpt from the paper that talked about Assemblymember Nunez sharing a bottle of wine with his peers. The expectation, he added, is that the legislature may come up with a budget as early as Sunday.

#### **Tab 8: Specialized Update**

No information provided.

#### **Tab 9: Budget Update**

Bob Illa, Manager, Fiscal & Administrative Services Branch, provided the following update regarding the Governor's budget:

1. Current information reflects CSAC's budget since May revise.
2. Budget is tracked from the Governor's proposed budget to the current state; May revise.
3. No state budget to date.
4. Budget consists of two components: state operations (salaries, operation costs) and local assistance (program portion).
5. Major change for CSAC involves shift from Student Loan Operating Fund to the General Fund (the state source for 15.3 million).
6. Two budget change proposals (BCPs) being submitted: 1) funding for Phase 2 of Grant Delivery System and 2) request for two positions for compliance.
7. 42.8 million decrease: due to populations, the institutions they attend and the cost to attend these institutions.
8. 2.5 million increase in APLE Program
9. California Student Opportunity & Access Program (Cal-SOAP) will be shifted from Student Loan Fund to General Fund and reduce amount from 8.6 to 5.0 million.
10. Ed Fund set to be sold (proposed).

Member Jeffery commented that the shift of funds from independents to the UCs doesn't seem like much of a shift; there doesn't seem to be an increase in the number of Cal Grant recipients. Mr. Illa explained that the problem may be with the projection of applicants in January since numbers are still being finalized in May. The first projection in January is an over-estimate of the actual numbers that will be recipients for the upcoming year.

Member Jeffery asked if the numbers for the first projection (January) are compared with the previous January. Steven Caldwell, Chief, Governmental & Public Affairs Division, explained that the numbers may have gone up a little bit, but he explained that the numbers shared in May are based on actual applications received back in January. Member Jeffery simply wants to know if CSAC expects the number of applicants to go up or remain the same. Mr. Caldwell said that the numbers will probably be the same.

Member Jeffery also asked if the Cal-SOAP funding would be restored by the Governor. Mr. Caldwell said that there had been heavy lobbying and had restored the funding level, but that was a while ago; not sure where the funding level stands.

Janet McDuffie, Chief, Management Services Division, in response to questions regarding the sale of Ed Fund, explained the following:

1. Ed Fund is the organization of CSAC that manages the Federal Student Loan Program's daily operations.
2. The Governor proposed the sale of Ed Fund
3. Trailer bill language will provide more detail on the sale
4. The amount of the Ed Fund sale has not been disclosed to CSAC; discussion at higher levels.

Mr. Caldwell explained that the amount put into the budget for the May revise was 1 billion dollars. Louise McClain, CSAC Chair, explained that she and the Chair for the Ed Fund Board were under direction from the Department of Finance not to "devalue" Ed Fund. Mr. Caldwell explained that CSAC is providing information to the legislature on what is needed to continue CSAC operations. Commissioner McClain explained that getting DOF to understand the value and types of outreach can be frustrating. Ms. McDuffie explained that often times, DOF thinks that since funding is allotted to the college budgets, they along with Cal-SOAP and other existing resources should be able to do it.

Diana Fuentes-Michel, Executive Director, noted that on matters of outreach, it's often a matter of philosophical discussion, especially when members of the legislature are looking at having to cut teach salaries, instruction and the like. Member Jeffery commented that the issue of funding outreach is not specific to CSAC; that the UC system has been challenged with the argument being that outreach efforts are not cost-effective.

Mr. Illa continued with his tab and explained the budget the different funding sources as shown on Tab 9b. When asked Chafee Program funding increasing, he explained that he still needed to talk to the Department of Social Services (DSS) to determine what was meant by "roll-over funding." Member Bonnel commented that the amount was thought to be 16 million. Mr. Illa explained that at present, Tab 9b reflects the projections for the 2007-08 CSAC budget.

Executive Director Fuentes-Michel commented that she'd been busy with the CSAC's agenda so she wanted to stop by and say hello and see if there were any questions of her. There were none. Executive Director Fuentes-Michel thanked everyone for their hard work.

#### **Tab 10: State and Federal Legislative Update**

Mr. Caldwell provided comments throughout the meeting, but specific comments made in Tabs 7 & 9.

Chair Lindsey thanked staff for providing the write-ups and all the work that went into setting the meeting up; she thanks Member Robinson for giving up her workshop day; thanked all the GAC members for making the effort to show for the meeting; and gave a huge thanks to Commissioner McClain, Commissioner Hernandez and all the other folks who participated and contributed to the meeting.

The meeting adjourned at 4:00 p.m.

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Mary Lindsey, GAC Chair